Postal Regulatory Commission Submitted 1/11/2019 4:23:26 PM Filing ID: 108065 Accepted 1/11/2019

BEFORE THE POSTAL REGULATORY COMMISSION WASHINGTON, D.C. 20268–0001

ANNUAL COMPLIANCE REVIEW, 2018

Docket No. ACR2018

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO QUESTIONS 1-15, 17-50 OF CHAIRMAN'S INFORMATION REQUEST NO. 1

The United States Postal Service hereby provides its responses to the above-listed questions of Chairman's Information Request No. 1, issued on January 4, 2019. Each question is stated verbatim and followed by the response. The response to Question 16 is still being prepared.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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1. On page 28 of its FY 2018 Form 10-K,¹ the Postal Service states that "total work hours increased by approximately 6 million, or 0.5%, compared to 2017." Please provide all data (and data sources) showing the workhour measurements by Labor Distribution Code for FY 2018 and FY 2017.

RESPONSE:

As anticipated in the Postal Service's August 17, 2018 comments in Docket No.

RM2018-2, workhour data by Labor Distribution Code have been provided in USPS-

FY18-7 (in the Excel Workbooks subfolder).

¹ United States Postal Service Annual Report on Form 10-K, November 14, 2018, at 28 (FY 2018 Form 10-K).

2. On page 29 of Library Reference USPS-FY18-17,² the Postal Service discusses Total Factor Productivity (TFP). Please provide all supporting workpapers for the derivation of FY 2018 TFP.

RESPONSE:

The requested workpapers are provided in the Excel file associated with this question attached to this response.

² United States Postal Service Annual Report and Comprehensive Statement of Postal Operations, Library Reference USPS-FY18-17, December 28, 2018, at 29.

3. On page 64 of FY 2018 Form 10-K, the Postal Service states "[o]n September 28, 2018, under the most recent amendment to the NPA [Note Purchase Agreement], the [Federal Financing Bank] extended the NPA until December 31, 2018, (one quarter) as opposed to its prior practice of annually extending the NPA for a full fiscal year." FY 2018 Form 10-K. Please provide an update on the extension of the NPA.

RESPONSE:

As indicated in the Form 8-K filed with the Commission on December 20, 2018, another amendment, executed on that date, extended the Postal Service's ability to borrow under the Original Agreement until February 28, 2019.

4. Please refer to the FY 2018 ACR at 11-12. The Postal Service states that it incorporated a new method for distributing revenue for the Inbound Letter Post product in Library Reference USPS-FY18-NP2. The Postal Service explains that the new method distributes "dispatch format revenue to item formats based on the revenue per piece and revenue per pound for those mail flows where terminal dues are calculated on a per-item and per-kilogram basis[.]" FY 2018 ACR at 11-12. Please provide a technical explanation of this new distribution, including the data, analysis, and documentation on which this distribution is based.

RESPONSE:

In the Commission's Order No. 4827 in Docket No. RM2018-8, the Commission directed the Postal Service to "investigate the feasibility of and obstacles to developing an improved revenue estimate as described in the body of this order." ³ The Commission indicated that "distributing dispatch format revenue to item formats based on the revenue per piece and revenue per pound for those mail flows where terminal dues are calculated on a per-item and per-kilogram basis to be worthy of further evaluation."⁴

The Postal Service subsequently investigated and evaluated the feasibility of and obstacles to developing an improved revenue estimate by distributing dispatch format revenue to item formats based on the revenue per piece and revenue per pound for those mail flows where terminal dues are calculated on a per-item and per-kilogram basis. The Postal Service determined that it was feasible to separately allocate the

³ Order No. 4827, Order on Analytical Principles used in Periodic Reporting (Proposal Five), PRC Docket No. RM2018-8 (Sept. 21, 2018), at 21.

⁴ *Id.* at 18.

dispatch format revenue to the item formats based upon terminal-dues-per-item and terminal-dues-per-kilogram components. The Postal Service also determined that using this further refined methodology would result in more accurate allocation of dispatch weight to heavier item formats, primarily item format E (bulky letters and small packets).

Thus, in order to provide the Commission with an update on its progress in relation to this issue, the Postal Service modified its program for FY2018 regulatory reporting to implement this further refined methodology by splitting the accounting lines containing dispatch revenues for Inbound Letter Post into their item and weight components, and by separately storing the two components in additional fields. For terminal dues exchanges with a per-item component, the applicable per-kilogram rate is multiplied by the dispatch weight in kilograms to determine the per-kilogram revenue. Per-item revenue is established by subtracting the per-kilogram revenue from total revenue. For exchanges without a per-item component, only the per-kilogram revenue components are then allocated to the item formats using the same item and weight distribution keys that were used to distribute the dispatch format volume and weight data to item formats items and weight.

 The data on which this distribution is based use the same methodology that the Commission reviewed and approved in Docket No.
 RM2018-8. In Order No. 4827, the Commission found that "the SIRVI sampling"

plan and estimation methodology are sound, and the data generated by SIRVI are reliable for mapping dispatch format pieces and weight to item formats."5

For FY 2018, the Postal Service incorporated a further refined methodology to distribute the dispatch format revenue data to item formats "based on the revenue per piece and revenue per pound for those mail flows where terminal dues are calculated on a per-item and per-kilogram basis," as the Commission suggested in Order No. 4827.6 Based on this further refined methodology, the final item format revenue reflects the combined revenue per-item and revenue per-kilogram revenue, and appears in Column S (Sum of Item Format Current Revenue) of the Summary Data tab of the Excel file Summary Data for ICRA (Final FY18-12'5'18)v2.xls located in the <Data As Received> folder of the <FPS Inbound Data> folder of the <Supporting Files> folder in USPS-FY18-NP2.

An expanded version of this response is being filed under seal as part of the Preface of USPS-FY18-NP32, and includes a numerical example to provide an explanation of the analysis and documentation on which this further refined methodology to distribute the dispatch format revenue data is based.

⁵ *Id*. at 16-17.

⁶ *Id.* at 17-18.

- 5. 39 C.F.R. § 3050.21(j)(2) requires the Postal Service to provide "any third-party service performance results upon which any financial penalty or bonus is determined, and identify the amount of any forfeited revenue[.]"
 - a. Please confirm that the Postal Service forfeited revenue in both CY 2017 and CY 2018 based on its Quality Link Measurement System results for the Inbound Letter Post product.
 - b. If confirmed, please provide the amounts of forfeited revenue for both CY 2017 and CY 2018. For CY 2018, please include the amount based on all monthly results available to date. If all monthly results are not available, please provide an updated amount of forfeited revenue for CY 2018 once all monthly results are available and explain how this amount is calculated based on service performance results.

RESPONSE:

A response to this question has been provided under seal within the Preface of USPS-FY18-NP32.

6. Please provide the number of Self Service Kiosks (SSKs)⁷ in operation as of the end of FY 2018. If this number differs from the Postal Service's planned total of 2,745⁸ by the end of FY 2018, please explain. Please describe any formal plan(s) for the addition or removal of SSKs during FY 2019.

RESPONSE:

There were 1,561 newly deployed Retail Systems Software (RSS) SSKs in operation at the end of FY 2018⁹. The deployment installation process was delayed due to technical difficulties, so the planned total of 2,745 new RSS-SSKs was not completed by the end of FY 2018. However, the deployment installation process of RSS-SSKs was completed shortly after the end of the fiscal year: on November 16, 2018; an additional 1,171 RSS-SSKs were deployed in FY 2019. There are 13 RSS-SSKs reserved for the Retail of the Future sites. Of the 13 reserved RSS-SSKs, 10 are currently in labs and 3 are in storage pending site construction.

⁷ Previously referred to as Automated Postal Centers.

⁸ Docket No. ACR2017, Responses of the United States Postal Service to Questions 1-19 of Chairman's Information Request No. 2, January 17, 2018, question 13 (Docket No. ACR2017 Response to CHIR No. 2).

⁹ There were 1,195 legacy SSKs in operation at the end of FY 2018. The legacy SSKs continued to be operational through the deployment of the new RSS-SSKs, but have since been retired as of November 16, 2018, when the new fleet of RSS-SSKs was fully deployed.

Therefore, the sum of the 1,561 RSS-SSKs in operation in FY 2018, the 1,171 RSS-SSKs now in operation in FY 2019, and the 13 reserved RSS-SSKs, totals 2,745 RSS-SSKs.

7. In Docket No. ACR2017, the Postal Service filed a "Retail Revenue by Channel" table in response to a Chairman's Information Request. 10 Please provide an updated table for FY 2018.

RESPONSE:

Channel		Y2018 Revenue	Share of Total	Change from FY2017	
Post Office Revenue		\$10,123,646,782	79.6%	-0.69%	
Stamp Sales by Partners	\$	968,639,273	7.5%	-6.80%	
SSK/APC		\$370,104,014	2.9%	-8.67%	
Stamps by Mail/Phone/FAX	\$	81,817,182	0.6%	4.50%	
Contract Units		\$141,968,933	1.1%	0.53%	
Click n Ship	\$	469,015,617	3.6%	-3.60%	
Other	\$	566,291,962	4.4%	-4.04%	
TOTAL RETAIL REVENUE	\$	12,721,483,764	100.0%	-1.65%	

¹⁰ Docket No. ACR2017 Response to CHIR No. 2, question 14.

- **8.** Please provide the proportion of collection boxes for which the last mail pickup time is:
 - a. Midnight to 11:59 a.m.
 - b. Noon to 2:59 p.m.
 - c. 3:00 to 4:59 p.m.
 - d. 5:00 p.m. to 6:59 p.m.
 - e. 7:00 p.m. to 11:59 p.m.
 - f. For each of a-e, please provide the proportions for Monday-Friday and Saturday-Sunday separately, if applicable.

RESPONSE:

- a. Monday-Friday: 30 percent; Saturday: 46 percent.
- b. Monday-Friday: 27 percent; Saturday: 38 percent.
- c. Monday-Friday: 28 percent; Saturday: 13 percent.
- d. Monday-Friday: 14 percent; Saturday: 3 percent.
- e. Monday-Friday: 0 percent; Saturday: 0 percent.
- f. See responses to a. -e., above.

- **9.** Please provide a table detailing the following information regarding Village Post Offices (VPOs):
 - a. The number of VPOs in existence at the beginning of FY 2018.
 - b. The number of VPOs opened in FY 2018.
 - c. The number of VPOs closed in FY 2018.
 - d. The number of VPOs in existence at the end of FY 2018.
 - e. If the Postal Service's answer to part (a) is different from their stated end of FY 2017 number of 721,¹¹ please confirm the reason stems from the discrepancy discussed by the Postal Service in the FY 2018 ACR.¹² If not confirmed, please explain.

RESPONSE:

a. - d.

Beginning FY18	717
Opened in FY18	0
Closed in FY18	88
End FY18	629

e. Confirmed.

¹¹ Docket No. ACR2017 Response to CHIR No. 2, question 16.

¹² FY 2018 ACR at 60-61.

- **10.** Please provide a table detailing the following information regarding Community Post Offices (CPOs):
 - a. The number of CPOs in existence at the beginning of FY 2018.
 - b. The number of CPOs opened in FY 2018.
 - c. The number of CPOs closed in FY 2018.
 - d. The number of CPOs in existence at the end of FY 2018.
 - e. If the Postal Service's answer to part (a) is different from their stated end of FY 2017 number of 465,¹³ please confirm the reason stems from the discrepancy discussed by the Postal Service in the FY 2018 ACR.¹⁴ If not confirmed, please explain.

RESPONSE:

a. - d.

Beginning FY18	466
Opened in FY18	0
Closed in FY18	14
End FY18	452

e. Confirmed.

¹³ Docket No. ACR2017 Response to CHIR No. 2, question 17.

¹⁴ FY 2018 ACR at 60-61.

- **11.** Please provide a table detailing the following information regarding Contract Postal Units (CPUs):
 - a. The number of CPUs in existence at the beginning of FY 2018.
 - b. The number of CPUs opened in FY 2018.
 - c. The number of CPUs closed in FY 2018.
 - d. The number of CPUs in existence at the end of FY 2018.
 - e. If the Postal Service's answer to part (a) is different from their stated end of FY 2017 number of 2,249,¹⁵ please confirm the reason stems from the discrepancy discussed by the Postal Service in the FY 2018 ACR.¹⁶ If not confirmed, please explain.

RESPONSE:

a. - d.

Beginning FY18	2,245
Opened in FY18	0
Closed in FY18	102
End FY18	2,143

e. Confirmed.

¹⁵ Docket No. ACR2017 Response to CHIR No. 2, question 18.

¹⁶ FY 2018 ACR at 60-61.

12. The Commission has historically found differences between the retail facility data provided by the Postal Service in its Annual Report to Congress and the retail facility data provided in ACR dockets.¹⁷ Please refer to the embedded chart and fill it in per the Postal Service's most recent records for FY 2016, FY 2017, and FY 2018.

Facility Type	FY 2016	FY 2017	FY 2018
Post Offices			
Classified Stations & Branches and Carrier Annexes			
Total Postal-Managed	1	ı	ı
Contract Postal Units			
Village Post Offices			
Community Post Offices			
Total Non-Postal-Managed	-	-	-
Total Retail Facilities	-	-	•

RESPONSE:

	FY	FY	FY
Facility Type	2016	2017	2018
Post Offices	26,611	26,410	26,365
Classified Stations & Branches and Carrier			
Annexes	4,974	4,967	4,959
Total Postal-Managed	31,585	31,377	31,324
Contract Postal Units	2,458	2,331	2,143
Village Post Offices	877	721	717
Community Post Offices	503	476	452
Total Non-Postal-Managed	3,838	3,528	3,312
Total Retail Facilities	35,423	34,905	34,636

¹⁷ See, e.g., Docket No. ACR2017, Annual Compliance Determination, March 29, 2018, at 162.

13. In Docket No. RM2018-1, the Postal Service provided an Excel file that detailed volumes and costs for flat-shaped mail. Please provide an update of this Excel file that includes FY 2017 and FY 2018 volume and cost data for flat-shaped mail.

RESPONSE:

The requested materials are provided in the Excel file associated with this question attached to this response.

¹⁸ Docket No. RM2018-1, Library Reference USPS-RM2018-1/1, December 4, 2017.

14. In the FY 2018 ACR, the Postal Service states that "it is not able to provide an estimated timeline for phasing out the Flats subsidy." FY 2018 ACR at 36. Please provide an estimated timeline for phasing out the Flats subsidy using reasonable assumptions for changes in costs and price increases. For example, in Docket No. R2019-1, the Postal Service increased the price of USPS Marketing Mail Flats by 105.2 percent of CPI-U, which could be used as an assumption for future price adjustments.¹⁹ If the Postal Service is still unable to estimate the timeline for phasing out the Flats subsidy, please identify data that is not available along with reasons why the Postal Service is unable to make reasonable assumptions to determine when revenues will exceed attributable costs for USPS Marketing Mail Flats.

RESPONSE:

The Postal Service remains unable to provide an estimated timeline. The unrelenting and highly variable decline in Flats volume takes away economies of scale and density, resulting in disproportionate cost pressures on products with declining volume. The extent to which workhour reductions will be able to keep pace with presumably continued volume decline is unknown. Therefore it is quite difficult to come up with a unique set of reasonable assumptions about the future course of Flats costs. In addition, one would need to have foresight of demand trends in the various markets which use Flats, as well as other trends (beyond the sheer number of pieces) that might affect both unit costs and unit revenues. Further, as the Postal Service has stated before, the Postal Service must be cautious about giving too much price-cap authority to Flats, when that product's volume is declining faster than the volumes of other products in the class. Moreover, a significant price increase could result in even steeper volume

¹⁹ FY 2018 ACR at 25 (citing Docket No. R2019-1, United States Postal Service Notice of Market-Dominant Price Change, October 10, 2018, at 16).

declines, which would be problematic from a unit-cost standpoint if workhour reductions cannot decline at the same rate.

- **15.** The Postal Service states that it "intends to evaluate combining Flats, Carrier Route Flats, and High Density Flats into a single Non-Saturation Flats product." FY 2018 ACR at 18.
 - a. Please provide a timeline of when the Postal Service's evaluation will be complete.
 - b. Please provide historical data to demonstrate that "[b]ased on feedback from industry representatives, which is supported by volume trends, flats volume has migrated from the Flats and Carrier Route products into High Density Flats because of comailing." FY 2018 ACR at 17.
 - c. Please estimate the cost coverage of the "Non-Saturation Flats product" for FY 2018, include all assumptions used to estimate the cost coverage.

RESPONSE:

- a. The Postal Service is in the process of evaluating a merger of Flats,
 Carrier Route, and High Density Flats into one "Non-Saturation Flats" product.
 The evaluation is ongoing; the Postal Service does not currently have a timeline for completion.
- b. The following data demonstrate that High Density Flats has experienced volume growth year over year between FY 2015 and FY 2018, with significant growth of over 20 percent in the last two fiscal years. At the same time, Flats and Carrier Route Flats volumes have generally declined.²⁰

²⁰ The general decline in Flats and Carrier Route Flats volume is evident by comparing their combined FY 2014 and FY 2018 volumes – 13.9 billion pieces in FY 2014 to 11.1 billion pieces in FY 2018. The back and forth movement between these two products in other years was due to the introduction of FSS prices in Docket No. R2015-4 and their subsequent elimination in Docket No. R2017-1.

Volume of Flat Products and Categories Over the Past Five Fiscal Years

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Flats	5,054,394,637	5,248,504,828	6,306,793,996	4,944,063,469	4,078,767,616
CR Flats	8,894,653,380	8,219,265,595	6,588,672,335	7,095,280,147	6,998,018,225
HD Flats	1,125,637,110	1,225,949,754	1,233,585,853	1,485,750,963	1,782,505,384
HD Plus Flats	681,564,908	701,083,099	663,125,226	687,171,003	654,321,505
Saturation Flats	9,471,374,483	9,305,082,811	9,150,343,444	9,058,196,547	9,154,032,186
Total	25,227,624,518	24,699,886,087	23,942,520,854	23,270,462,129	22,667,644,916

Percent Volume Change Compared with Previous Year

	FY 2015	FY 2016	FY 2017	FY 2018
Flats	3.8%	20.2%	-21.6%	-17.5%
CR Flats	-7.6%	-19.8%	7.7%	-1.4%
HD Flats	8.9%	0.6%	20.4%	20.0%
HD Plus Flats	2.9%	-5.4%	3.6%	-4.8%
Saturation Flats	-1.8%	-1.7%	-1.0%	1.1%
Total	-2.1%	-3.1%	-2.8%	-2.6%

c. As shown below, the estimated cost coverage of a Non-Saturation Flats product that combines Flats, Carrier Route, and High Density Flats, would have been approximately 88 percent in FY 2018.

Cost Coverage of "Non-Saturation Flats" Product

	Revenue	Cost	Volume	Toduct		Cost
	(000)	(000)	volume	Rev./Pc	Cost/Pc	Coverage
Flats	\$1,649,376	\$2,402,761	4,078,768	\$0.404	\$0.589	68.65%
Carrier Route	\$1,847,737	\$1,703,154	7,034,113	\$0.263	\$0.242	108.49%
High Density Flats	\$360,864	\$275,041	1,782,505	\$0.202	\$0.154	131.20%
Non-Saturation Flats (Combined Flts/CR/High		4		•	***	
Density Flats)	\$3,857,978	\$4,380,956	12,895,386	\$0.299	\$0.340	88.06%

This cost coverage assumes that all Carrier Route volume, including a small amount of Carrier Route letter- and parcel-shaped pieces, would be subsumed in the new product. Folder USPS-FY18-1 is the source of all of the Flats and Carrier Route data.²¹ Folder USPS-FY18-4 provides the Volume and Revenue data for High Density Flats,²² while folder USPS-FY18-30 provides the Unit Cost data.²³ Revenue per piece for High Density Flats was derived by dividing Revenue by Volume.

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²¹ See USPS-FY18-1 (at "Public_FY18CRAReport.xlsx," tabs "Cost1" and "Volume1").

²² See USPS-FY18-4 (at folder "Marketing Mail BDs," "FY2018 USPS Marketing Mail BD – Public Final.xlsx"). Revenue is the sum of: C2-2 ECR Flats F37, C2-3 ECR Ltr-Shp Flats F25, C4-2 NP ECR Flats F37, C4-3 NP ECR Ltr-Shp Flats F25; Volume is the sum of: C2-2 ECR Flats H37, C2-3 ECR Ltr-Shp Flats H25, C4-2 NP ECR Flats H37, C4-3 NP ECR Ltr-Shp Flats H25.

²³ See USPS-FY18-30 (at "FY18 NSA Unit Cost Detail Data Calculations.xlsx," tab "Summary," cell K70). Total cost for High Density Flats is the product of High Density Volume and High Density Unit Cost.

17. In FY 2017, the Postal Service cited Lean Mail Processing (LMP) as an initiative to make processing USPS Marketing Mail Flats and Periodicals mail more efficient.²⁴ FY 2017 ACR at 25, 29. Specifically, the Postal Service stated that in FY 2017 the Postal Service "focused on stabilizing the LMP program" and described the LMP program as "a standardized, statistical program utilized for improving mail processing." *Id.* at 29. The FY 2018 ACR does not mention this program. Please provide the status of the LMP program in FY 2018, along with any operational outcomes that resulted from the program in FY 2018.

RESPONSE:

In FY 2018, the Postal Service focused on sustaining and refining previous projects instituted to standardize and improved the bundles and flats mail processing flows. Industrial Engineers in the processing facilities worked with operational managers to ensure processes were in compliance and sustainment measures were being followed. Operational personnel were able to track their real-time performance, including throughput on the APBS, to ensure that they were on target.

²⁴ Docket No. ACR2017, United States Postal Service FY 2017 Annual Compliance Report, December 29, 2017 (FY 2017 ACR).

18. In FY 2018, the Work In Process (WIP) cycle time for "Median 5 Day Mail Processing WIP USPS Marketing Mail Flats" increased by 4 hours and the "Median 5 Day Mail Processing WIP Periodicals Flats" increased by 3 hours. See FY 2018 ACR at 30. Please explain how this impacts costs and service for USPS Marketing Mail Flats and Periodicals and provide detailed plans to reduce WIP cycles times in FY 2019.

RESPONSE:

Any increase to the Work In Process (WIP) cycle time increases the potential to delay service and increase costs. In FY 2019, the Postal Service plans to decrease the WIP cycle time by re-certifying plants in Lean Mail Processing and focusing on First-In-First-Out (FIFO) discipline. In addition, our ongoing efforts to improve throughput on mail processing equipment should also reduce the WIP cycle time.

19. In FY 2018 USPS Marketing Mail Parcels' average weight per piece increased "around 6 percent." FY 2018 ACR at 15. Please explain how this increase in average weight per piece impacts unit attributable costs for USPS Marketing Mail Parcels.

RESPONSE:

It is not surprising that the average weight per piece for USPS Marketing Mail
Parcels has increased as the mail mix for this product has changed over time. The
USPS Marketing Mail Parcels includes three different price categories: Nonprofit
Machinable Parcels, Nonprofit Irregular Parcels, and Marketing Parcels. The
percentage of USPS Marketing Mail Parcels that is Nonprofit Machinable Parcels has
increased over time, while the percentage that is Marketing Parcels has decreased.

USPS Marketing Mail Parcels Mail Mix

Parcel Type	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Machinable	15.03%	14.02%	13.58%	16.13%	19.98%
Irregular	10.72%	10.70%	15.37%	14.04%	16.28%
Marketing	<u>74.25%</u>	<u>75.28%</u>	<u>71.04%</u>	<u>69.83%</u>	<u>63.75%</u>
	100.00%	100.00%	100.00%	100.00%	100.00%

The 2014 parcel field study that supports the USPS-FY18-12 mail processing cost model included the collection of cubic feet per piece data. These data showed that machinable parcels were the largest parcels, and that marketing parcels were the smallest parcels.²⁵ Assuming that larger parcels tend to weigh more than smaller

²⁵ Please see USPS-FY18-12, 'USPS-FY18-12.xlsx', 'Conversion Factors' worksheet (page 10), cells B6:B9.

parcels, the mail mix changes that this product has experienced over the past four years should logically have resulted in a higher average weight per piece.

It is difficult to gauge the impact that weight alone has had on the attributable unit cost for USPS Marketing Mail Parcels, given that these mail pieces are some of the lightest parcels processed, transported, and delivered by the Postal Service. Unlike other parcel products, the weight range for USPS Marketing Mail Parcels is extremely limited. These mail pieces cannot weigh over one pound. Consequently, some of the lightest USPS Marketing Mail parcels cannot be processed on automation because they fall outside the machinability requirements for some postal equipment. For example, the minimum mail piece weight for the Parcel Sorting Machines (PSM) at Network Distribution Centers (NDC) is 6 ounces. In this instance, an increase in the average mail piece weight could actually result in lower sorting costs, because it might be possible to process a higher percentage of these mail pieces on the PSM as the average weight per piece increases.

On the other hand, machinable parcels, as described above, tend to be larger than other USPS Marketing Mail parcels. The average mail piece size would likely increase as the average mail piece weight increased. Consequently, postal containers would hold fewer USPS Marketing Mail parcels, which could contribute to incrementally higher mail processing and transportation costs.

In summary, however, weight is only one mail characteristic that can affect the unit attributable cost for any product. For USPS Marketing Mail Parcels, the increase in

unit weight of 0.4 ounces probably had a minimal impact on attributable costs. In relative terms, more origin entry and less presorting likely had much more of an effect on the increase in attributable costs, compared to a 6 percent increase in unit weight.

20. For First-Class Mail, please provide the top five root cause point impacts for FY 2017 and FY 2018, disaggregated by quarter, shape/product, and service standard.

RESPONSE:

For products for which they are available, the requested FY17 and FY18 data are included in Excel file CHIR.1.Multiple.Responses.xlsx that accompanies this Response. The data for Single-Piece First-Class Mail and Presort First-Class Mail are provided separately, while root cause data for First-Class Mail Composite are not available.

21. Please explain what methods, metrics, or processes the Postal Service utilized to determine the top root causes for First-Class Mail products not meeting service targets in FY 2018.

RESPONSE:

The Postal Service uses the End-to-End Mail Diagnostics tool, located within the Informed Visibility (IV) application, along with the Surface Visibility (SV) scanning application, to determine root causes for failures. The tools identify locations with the biggest impact on service performance and those whose performance may be putting service at risk.

- 22. Please refer to Library Reference USPS-FY18-29, PDF file "FY18-29 Service Perf Report.pdf," at 7 (FY 2018 Service Performance Report). With respect to each of the following root causes of service performance failure for First-Class Mail, please provide a narrative response explaining the reason(s) why each type of failure occurs and the corresponding effect on service performance results. In the responses, please indicate if the reason(s) and effect(s) differ for pieces based on shape, product, or service standard.
 - a. Origin sites failing to clear outgoing mail on time;
 - b. Mail waiting to be picked up at freight houses;
 - Origin sites failing to dispatch network trips on time;
 - d. Origin sites not clearing Flat operations on time; and
 - e. Surface Transfer Centers not meeting targeted transfer times.

RESPONSE:

All mail, regardless of product, shape, or service standard, may not clear due to failure to follow the plan as set by the Run Plan Generator (RPG) and/or failure to obtain target throughputs. If open communications between sending and receiving sites does not exist, failures can occur. It is critical that all sites clear and dispatch all operations on time. The processing and dispatch of mail on time must be completed for every shape, product, or service standard.

23. Please provide the national level percentages of First-Class Mail Single-Piece Letters/Postcards that were transported using air transit and ground transit. These results should be for Fiscal Quarters 1, 2, 3, 4, "mid-year," second-half," and annually for FY 2017 and FY 2018. Please present results for each service standard (2-Day versus 3-5-Day) separately.

RESPONSE:

The requested FY17 and FY18 data are included in Excel file CHIR.1.Multiple.

Responses.xlsx that accompanies this Response.

²⁶ Mid-year refers to the aggregation of the data for Quarters 1 and 2 of the applicable fiscal year.

²⁷ Second-half refers to the aggregation of the data for Quarters 3 and 4 of the applicable fiscal year.

²⁸ Annually refers to the aggregation of the data for all four fiscal quarters of the applicable fiscal year.

- 24. Please refer to Docket No. ACR2017, Response to CHIR No. 2, question 8.a.
 - a. Please confirm that this definitional criteria used to classify the specific root cause of failure remained accurate for FY 2018. If not confirmed, please describe any differences.
 - b. Please confirm that a root cause failure indicator is not assigned to a mailpiece that is delivered within its applicable service standard (*e.g.*, 2-day or 3-5-day). If not confirmed, please explain.
 - c. Please confirm that no more than one root cause failure indicator is assigned per mailpiece. If not confirmed, please explain.

RESPONSE:

- a. Confirmed.
- b. Confirmed.
- c. Confirmed.

- 25. Please refer to Docket No. RM2018-1, Response of the United States Postal Service to Commission Information Request No. 2, May 29, 2018, PP2-4 question 2; and Docket No. RM2018-1, Library Reference USPS-RM2018-1/2, Excel file "CIR2.PP2-4 Q2.Top 5 Root Cause Point Impacts.xlsx", May 30, 2018.
 - a. Please provide updated results for Fiscal Quarters 3 and 4 for FY 2018.
 - Please provide results attributed to air transit Automated Area Distribution Center (AADC)/Area Distribution Center (ADC) processing delays for each fiscal quarter of FY 2015 through FY 2018.
 - c. Please provide results attributed to surface transit AADC/ADC processing delays for each fiscal quarter of FY 2017 through FY 2018.

RESPONSE:

- a. The requested FY18 Quarters 3 and 4 data are included in Excel file CHIR.
- 1. Multiple. Responses. xlsx that accompanies this Response.
- b. The requested FY15 through FY18 data are included in Excel file
- CHIR.1.Multiple.Responses.xlsx that accompanies this Response.
- c. The requested FY17 through FY18 data are included in Excel file
- CHIR1.Multiple.Responses.xlsx that accompanies this Response.

- With respect to each of the following root causes of service performance failure for First-Class Mail Single-Piece Letters/Postcards, please provide a narrative response explaining the reason(s) why the levels reported for FY 2018 increased from the levels reported for FY 2017, the steps that the Postal Service has taken to reverse this trend, and the steps that the Postal Service plans to take to reverse this trend. In the responses, please indicate if the reason(s) and step(s) differ for pieces subject to the 2-Day versus the 3-5-Day service standard. For all steps identified in the responses (taken or planned), please specify the relevant timeframe (e.g., fiscal quarter(s) for which steps were taken or are planned to occur) and what measures the Postal Service has put in place to ensure that steps have or will be taken to reverse this trend.
 - a. AADC/ADC processing delay (in the response, please address the reason(s) and step(s) specific to air and surface transit separately);
 - b. Origin processing delay;
 - c. Last mile failure;
 - d. Late Incoming Secondary Processing; and
 - e. Origin Missent.

RESPONSE:

The Postal Service is committed to ensuring that service performance will improve in FY 2019. Starting in FY2019, Quarter 1, service teams are being deployed to locations with service performance issues. We will ensure sites have a Run Plan Generator (RPG) plan and follow the plan in order to avoid failures. Daily teleconferences will be held with Areas will ensure compliance in meeting all operating plans.

27. Please provide the national level percentages of 3-5-Day First-Class Mail Single-Piece Letters/Postcards that were classified as Late Incoming Secondary Processing for each fiscal quarter of FY 2015 through FY 2018.

RESPONSE:

The requested FY15 through FY18 data are included in Excel file CHIR.1.Multiple.

Responses.xlsx that accompanies this Response.

28. Please provide the national level percentages of 3-5-Day First-Class Mail Single-Piece Letters/Postcards that were classified as Origin Missent for each fiscal quarter of FY 2015 through FY 2018.

RESPONSE:

The requested FY15 through FY18 data are included in Excel file CHIR.1.Multiple.

Responses.xlsx that accompanies this Response.

29. Please provide the impact on service performance scores for First-Class Mail Single-Piece Letters/Postcards attributed to mailpieces reported to have already missed the service standard by the Last Processing Operation (which are classified as "Miss by LPO") for each fiscal quarter of FY 2015 through FY 2018. Please present results for each service standard (2-Day versus 3-5-Day) separately.

RESPONSE:

The requested FY15 through FY18 data are included in Excel file CHIR.1.Multiple.

Responses.xlsx that accompanies this Response.

30. Please provide the impact on service performance scores for First-Class Mail Single-Piece Letters/Postcards attributed to mailpieces classified as having experienced a collection delay for each fiscal quarter of FY 2015 through FY 2018. Please present results for each service standard (2-Day versus 3-5-Day) separately.

RESPONSE:

The requested FY15 through FY18 data are included in Excel file CHIR.1.Multiple.

Responses.xlsx that accompanies this Response.

31. Please provide the impact on service performance scores for First-Class Mail Single-Piece Letters/Postcards attributed to critically late trips (CLTs) for each fiscal quarter of FY 2015 through FY 2018. Please present results for each service standard (2-Day versus 3-5-Day) separately.

RESPONSE:

The Postal Service does not have such data.

32. Please provide the impact on service performance scores for First-Class Mail Single-Piece Letters/Postcards attributed to the air capacity gap for each fiscal quarter of FY 2015 through FY 2018. Please present results for each service standard (2-Day versus 3-5-Day) separately.

RESPONSE:

The Postal Service does not have such data.

33. For USPS Marketing Mail products not meeting service targets in FY 2018, please provide the top five root cause point impacts for FY 2017 and FY 2018, disaggregated by quarter, shape/product, and service standard.

RESPONSE:

The requested FY17 through FY18 data are included in Excel file CHIR.1.Multiple.

Responses.xlsx that accompanies this Response.

34. Please explain what methods, metrics, or processes the Postal Service utilized to determine the top root causes for USPS Marketing Mail products not meeting service targets in FY 2018.

RESPONSE:

The Postal Service uses the End-to-End Mail Diagnostics tool, located within the Informed Visibility (IV) application, along with the Surface Visibility (SV) scanning application, to determine root causes for failures. The tools identify locations with the biggest impact on service performance and those whose performance may be putting service at risk.

- Please refer to the FY 2018 Service Performance Report at 13. With respect to each of the following root causes of service performance failure for USPS Marketing Mail, please provide a narrative response explaining the reason(s) why each type of failure occurs and the corresponding effect on service performance results. In the responses, please indicate if the reason(s) and effect(s) differ for pieces based on shape, product, or service standard.
 - a. Failure to process mail in First-In-First-Out (FIFO) order; and
 - b. Failure to run to daily processing capacity.

RESPONSE:

First-In-First-Out (FIFO) is a critical process that must be followed by all processing plants for virtually every product we deliver. Failure to process in FIFO order is not acceptable. Training will occur in FY 2019 to ensure all management employees understand the FIFO method of mail management. Each processing facility currently uses the Run Plan Generator (RPG) to schedule mail processing equipment runs for optimal utilization. Mail processing facilities will ensure a good RPG plan is in place and that the plan is followed.

36. For each End-to-End USPS Marketing Mail product with a 6-10-day service standard, please provide the volume and the percentage based on the total USPS Marketing Mail volume that is End-to-End and has a 6-10-day service standard for FY 2018.²⁹

RESPONSE:

The volume of each USPS Marketing Mail product which is End-to-End and has a service standard between 6 and 10 days is not known for all USPS Marketing Mail. The volume of each USPS Marketing Mail product which is End-to-End and has a 6-10 day service standard and was in measurement is provided below.

End-to-End Mail with 6-10-Day Service Standard FY18 Volume Included in Service Measurement

USPS Marketing Mail Product	Measured Volume	
High Density/Saturation Letters	56,033,426	
High Density/Saturation Flats/Parcels	5,451,744	
Carrier Route	26,349,849	
Letters	2,808,934,160	
Flats	455,047,213	
Parcels	2,513,500	
EDDM-Retail	0	

In FY18, End-to-End mail with a 6-10 day service standard represented 6.3 percent of the total measured USPS Marketing Mail. The table on the next page provides the breakout by product.

²⁹ See Docket No. ACR2017 Response to CHIR No. 2, question 10.

End-to-End Mail with 6-10-Day Service Standard FY18 Percent of Total Measured Volume

USPS Marketing Mail Product	Percent of Total Measured Volume of the Product	Percent of Total Measured Marketing Mail
High Density/Saturation Letters	1.00%	0.10%
High Density/Saturation Flats/Parcels	0.10%	0.00%
Carrier Route	0.50%	0.00%
Letters	7.90%	5.30%
Flats	17.30%	0.90%
Parcels	14.30%	0.00%
EDDM-Retail	0.00%	0.00%

37. For Periodicals, please provide the top five root cause point impacts for FY 2017 and FY 2018, disaggregated by quarter, product, and service standard.

RESPONSE:

The Postal Service does not have such data.

38. Please explain what methods, metrics, or processes the Postal Service utilized to determine the top root causes for Periodicals products not meeting service targets in FY 2018.

RESPONSE:

The Service Performance Diagnostic (SPD) tool was used to determine the top root causes for Periodicals in FY 2018.

- 39. Please refer to the FY 2018 Service Performance Report at 16. With respect to each of the following root causes of service performance failure for Periodicals, please provide a narrative response explaining the reason(s) why each type of failure occurs and the corresponding effect on service performance results. In the responses, please indicate if the reason(s) and effect(s) differ for pieces based on product or service standard.
 - a. Failure to process mail in FIFO order; and
 - b. Failure to run to daily processing capacity.

RESPONSE:

As stated above, all mail is to be worked in First-In-First-Out (FIFO) order and the failure to process in FIFO order is not acceptable. Training will occur in FY 2019 to ensure all management employees understand the FIFO method of mail management. Run Plan Generator (RPG) schedules must have a current plan and must meet all operational requirements to meet service commitments. Approved RPG plans should be adhered to.

40. For Bound Printed Matter (BPM) Flats and Media Mail/Library Mail, please provide the top five root cause point impacts for FY 2017 and FY 2018 disaggregated by quarter, shape/product, and service standard.

RESPONSE:

The Postal Service does not have such data.

41. Please explain what methods, metrics, or processes the Postal Service utilized to determine the top root causes for BPM Flats and Media Mail/Library Mail not meeting service targets in FY 2018.

RESPONSE:

The BPM Flats and Media Mail/Library Mail are combined with Marketing Mail, and we use the same processes and methods as we do for Marketing Mail.

42. Please provide the volume and percentage of BPM Flats and Media Mail/Library Mail that were manually processed in FY 2018.

RESPONSE:

The Postal Service does not track the volume of Bound Printed Matter processed in manual operations. However, pieces over 20 ounces are considered non-automation by DMM standards (DMM 201.6.2.2). While some BPM pieces under 20 ounces may be worked manually, and some pieces over 20 ounces may be worked in automated operations, the proportion of pieces under and over 20 ounces provides an indication of the proportion of BPM flats that require manual processing. In addition, the presort and entry of the piece will affect whether pieces need to be worked in automated piece distribution operations. For example, carrier route presorted flats generally are not worked in piece distribution operations because these pieces are already sorted to carrier route as bundles. Non-carrier route presorted pieces entered at the DDU are usually sorted to the carrier manually, as delivery units do not have automated flat sorting equipment. The table below shows the distribution of BPM Flats by DMM automation criteria, presort, and DDU entry levels.

FY 2018 Bound Printer Matter Flats				
	Volu	me	Propo	ortion
	Under 20 Ounces	Over 20 Ounces	Under 20 Ounces	Over 20 Ounces
Non-DDU Single Piece/Presort BPM Flats	50,803,678	68,358,249	42.6%	57.4%
DDU Single Piece/Presort BPM Flats	42,471	81,576	34.2%	65.8%
Carrier Route BPM Flats	30,496,258	115,622,091	20.9%	79.1%

91.25 percent of Media Mail/Library Mail is parcel shaped. Parcel-shaped mail is typically worked on mechanized operations (APPS, APBS, PSM) through the Incoming Primary sort, and likely 100 percent of this mail incurs a manual sort in the Incoming Secondary operation. A comprehensive flow of Media Mail/Library Mail is presented in USPS-FY18-15.

- 43. As part of its mitigation plan for BPM Flats service performance in FY 2018, the Postal Service stated that it "continues to review the entry and make-up requirements" for BPM Flats.³⁰
 - a. Please describe any changes to the entry and make-up requirements that were implemented in FY 2018.
 - b. For any changes to the entry and make-up requirements to address BPM Flats service performance that are planned or pending review, please describe the planned change, identify the problem that the change is expected to remediate, and provide an estimated timeframe for implementation.

RESPONSE:

There were no changes implemented in FY 2018 and no changes currently planned for FY 2019.

 $^{^{30}}$ Library Reference USPS–FY17–29, PDF file "FY17-29 Service Perf Report.pdf," at 23 (FY 2017 Service Performance Report).

44. As part of its mitigation plan for BPM Flats service performance in FY 2018, the Postal Service stated that it will advance processing "to day zero (day of acceptance)."³¹ Please quantify the volume and percentage of BPM Flats that were advanced to day zero in FY 2018.

RESPONSE:

As shown in the table on the following page, the Postal Service is only able to quantify volume and percentage of BPM Flats that were advanced to day zero in FY 2018 for volume included in service measurement. The Postal Service defines day zero as the start-the-clock date, and if first automation scan occurs same day as the start-the-clock date, then those pieces are counted as being processed on day zero.

³¹ FY 2017 Service Performance Report at 23.

Processed on Day Zero	Percent of Total Measured Volume	Total Measured Volume
Yes	14.05%	5,208,178
No	89.95%	31,851,293

45. For Post Office Box Service, please provide the top five root cause point impacts for FY 2017 and FY 2018 disaggregated by quarter.

RESPONSE:

The Postal Service does not have such data.

46. Please explain what methods, metrics, or processes the Postal Service utilized to determine the top root causes for Post Office Box Service not meeting its service target in FY 2018.

RESPONSE:

As noted in the FY 2018 Service Performance Report (see FY18-29, "Annual Report on Service Performance for Market Dominant Products" at 25-26), the Postal Service made some progress on its six planned actions (from the FY 2017 ACR's Service Performance Report) to improve Post Office Box Service performance. However, it did not complete all of these initiatives in their entirety, and this impacted the agency's ability to meet the service performance target for FY 2018 for this special service. In FY 2019, the Postal Service intends to complete all of these six planned actions.

- **47.** Please confirm that the following national operating plan targets (also referred to as the 24-Hour Clock national clearance goals) were in effect for FY 2018. If not confirmed, please provide the revised information for FY 2018.
 - a. Cancelled by 20:00 = 80 percent of First-Class Mail Single-Piece Letters/Postcards;
 - b. Outgoing primary cleared by 24:00 = 95 percent of First-Class Mail Single-Piece Letters/Postcards and Presorted Letters/Postcards:
 - c. Outgoing secondary cleared by 00:30 = 95 percent of First-Class Mail Single-Piece Letters/Postcards and Presorted Letters/Postcards;
 - Mail assigned to Commercial/FedEx by 02:30 = 95 percent of First-Class Mail Single-Piece Letters/Postcards, Presorted Letters/Postcards, and Flats;³²
 - e. Trips on-time between 00:00-07:00 = 88 percent of outbound trips from a mail processing facility;
 - f. MMP cleared by 15:00 = 95 percent of First-Class Mail Single-Piece Letters/Postcards and Presorted Letters/Postcards:
 - g. DPS second pass cleared by 05:00 = 95 percent of First-Class Mail Single-Piece Letters/Postcards and Presorted Letters/Postcards;³³ and
 - h. Carriers returned by 17:00 = 87 percent of delivery unit carriers return to the office.

RESPONSE:

a.	Confirmed.
h	Confirmed

c. Confirmed.

d. Confirmed.

e. Confirmed.

³² This measurement may also include Priority Mail and First-Class Package Service competitive products.

³³ This measurement may also include Standard Mail Letters.

- f. Confirmed.
- g. Confirmed.
- h. Confirmed.

- **48.** Please discuss the Postal Service's steps taken to promote achievement of the following 24-Hour Clock national clearance time targets in FY 2018:
 - a. Outgoing primary cleared by 24:00;
 - Mail assigned to Commercial/FedEx by 02:30;
 - c. Trips on time between 00:00-07:00; and
 - d. MMP cleared by 15:00.

RESPONSE:

The Postal Service continues to promote compliance to the indicators in order to meet national targets. Various tools are used to review indicators, such as the Volume Arrival Profile (VAP) tool, which is a tracking tool to identify the lag in processes. We also use the Performance to Plan tool to review leading indicators. The Network Operations Control Centers (NOCCs) are being utilized to ensure processing sites are adhering to operating plans. Sites are monitored on a daily basis and non-compliant sites provide mitigating plans to achieve targets.

49. Please provide the percent of market dominant mail measured by Full-Service Intelligent Mail Barcode (IMb) in FY 2018 disaggregated by quarter and mail class (e.g., First-Class Mail, USPS Marketing Mail, Periodicals, and Package Services).

RESPONSE:

Processed on Day Zero	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Presort First-Class Mail	73.11%	75.54%	73.92%	73.06%
USPS Marketing Mail	81.70%	83.02%	83.49%	76.72%
Periodicals	70.98%	72.76%	69.64%	72.90%
Package Services	39.44%	62.15%	45.46%	41.99%

The Postal Service derived the data from the quarterly filed Total

Measured/Unmeasured Volumes Report. To provide the percent of market

dominant mail measured by Full-Service Intelligent Mail Barcode (IMb) in FY

2018 as shown above, the following attributes were used from the quarterly Total

Measured/Unmeasured Volumes Report: Total Number of Full-Service IMb

Pieces Included in Measurement / Total Number of Full-Service IMb Pieces.

50. Please provide the information requested in the following table for FY 2018.

Product	Percentage of Mail in Measurement	Percentage of Mail entered at Full-Service IMb prices and included in measurement	Percentage of Mail Processed as Full- Service IMb, but excluded from measurement
First-Class Mail			
Presorted Letters/Postcards			
Flats			
Standard Mail			
High Density and Saturation Letters			
High Density and Saturation Flats/Parcels			
Carrier Route			
Letters			
Flats			
EDDM-Retail			
Parcels			
Total Standard Mail			
Periodicals			
In-County			
Outside County			
Package Services			
Bound Printed Matter Flats			
N/A = Not Applicable	<u>I</u>	1	
Not Available = The F	ostal Service does not hav	e this information available.	

RESPONSE:

Product	Percentage of Mail in Measurement	Percentage of Mail entered at Full-Service IMb prices and included in measurement	Percentage of Mail Processed as Full- Service IMb, but excluded from measurement
First-Class Mail			
Presorted Letters/Postcards	67.19%	74.00%	26.00%
Flats	56.05%	69.02%	30.98%
USPS Marketing Mail			
High Density and Saturation Letters	75.59%	80.76%	19.24%
High Density and Saturation Flats/Parcels	37.68%	68.09%	31.91%
Carrier Route	73.21%	76.86%	23.14%
Letters	75.98%	82.81%	17.19%
Flats	64.62%	76.78%	23.22%
EDDM-Retail	63.89%	N/A	N/A
Parcels	50.88%	Not Available	Not Available
Total USPS Marketing Mail	69.23%	81.20%	18.80%
Periodicals			
In-County	9.94%	Not Available	Not Available
Outside County	62.02%	Not Available	Not Available
Total Periodicals	56.74%	71.50%	28.50%
Package Services			
Bound Printed Matter Flats	13.96%	45.53%	54.47%
N/A = Not Applicable	1	<u> </u>	<u> </u>